

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

C

WS-02672A
Cloud Nine Water Company Inc.-Water Division
96 Bel Aire Place, Ste. 140
Sierra Vista AZ 85635

ANNUAL REPORT
RECEIVED

APR 01 2005

AZ Corporation Commission
Director Of Utilities

FOR YEAR ENDING

12	31	2004
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FOR COMMISSION USE

ANN04	04
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COMPANY INFORMATION

Company Name (Business Name) Cloud Nine Water Company, Inc.

Mailing Address 96 Bel Aire Place, Ste. 140

Sierra Vista
(City)

AZ
(State)

85635
(Zip)

520-458-1311

520-458-4532

N/A

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address N/A

Local Office Mailing Address 96 Bel Aire Place, Ste. 140
(Street)

Sierra Vista
(City)

AZ
(State)

85635
(Zip)

520-458-1311

520-458-4532

N/A

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address N/A

MANAGEMENT INFORMATION

Management Contact: Ursula Guttry Vice-President
(Name) (Title)

96 Bel Aire Place, Ste. 140
(Street)

Sierra Vista
(City)

AZ
(State)

85635
(Zip)

520-458-1311

520-458-4532

N/A

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address N/A

On Site Manager: Ursula Guttry
(Name)

96 Bel Aire Place, Ste. 140
(Street)

Sierra Vista
(City)

AZ
(State)

85635
(Zip)

520-458-1311

520-458-4532

N/A

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address N/A

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Eugene C. Gieseler

(Name)

3040 E. Sunrise Dr., Ste. 200

(Street)

Tucson

(City)

AZ

(State)

85718

(Zip)

520-792-1181

Telephone No. (Include Area Code)

520-792-2859

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Attorney: Eugene C. Gieseler

(Name)

3040 E. Sunrise Dr., Ste. 200

(Street)

Tucson

(City)

AZ

(State)

85718

(Zip)

520-792-1181

Telephone No. (Include Area Code)

520-792-2859

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☐ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☒ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☒ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME

Cloud Nine Water Company, Inc.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	50,000.00	16,354.29	33,645.71
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs	18,720.00	12,207.00	6,513.00
311	Pumping Equipment	46,920.00	30,611.09	16,308.91
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	58,755.00	38,315.00	20,440.00
331	Transmission and Distribution Mains	23,805.00	15,530.00	8,275.00
333	Services			
334	Meters and Meter Installations	315.00	293.88	21.12
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	1,485.00	966.00	519.00
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	200,000.00	114,277.26	85,722.74

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME Cloud Nine Water Company, Inc.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	50,000.00	2.5%	1,250.00
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs	18,720.00	5%	936.00
311	Pumping Equipment	46,920.00	5%	2,348.00
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	58,755.00	5%	2,938.00
331	Transmission and Distribution Mains	23,805.00	5%	1,191.00
333	Services			
334	Meters and Meter Installations	315.00		0
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	1,485.00	5%	74.00
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	2000,000.00		8,737.00

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

COMPANY NAME

Cloud Nine Water Company, Inc.

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 308.85	\$ 1,505.45
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	1,099.48	
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 1,408.33	\$ 1,505.45
	FIXED ASSETS		
101	Utility Plant in Service	\$ 200,000.00	\$ 200,000.00
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(105,540.26)	(114,277.26)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 94,459.74	\$ 85,722.74
	TOTAL ASSETS	\$ 95,868.07	\$ 87,228.19

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME

Cloud Nine Water Company, Inc.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		
236	Accrued Taxes	389.73	118.00
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		910.21
	TOTAL CURRENT LIABILITIES	\$ 389.73	\$ 1,028.21
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$	\$
	TOTAL LIABILITIES	\$ 389.73	\$ 1,028.21
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 200,000.00	\$ 200,000.00
211	Paid in Capital in Excess of Par Value	3,503.29	3,503.29
215	Retained Earnings		
218	Proprietary Capital (Sole Props and Partnerships)	(108,024.95)	(117,303.31)
	TOTAL CAPITAL	\$ 95,478.34	\$ 86,199.98
	TOTAL LIABILITIES AND CAPITAL	\$ 95,868.07	\$ 87,228.19

COMPANY NAME Cloud Nine Water Company, Inc.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 17,213.74	\$ 15,821.74
460	Unmetered Water Revenue		
474	Other Water Revenues	410.00	205.79
	TOTAL REVENUES	\$ 17,623.74	\$ 16,027.53
	OPERATING EXPENSES		
601	Salaries and Wages	\$	\$
610	Purchased Water		
615	Purchased Power	13,859.39	13,050.81
618	Chemicals		
620	Repairs and Maintenance		104.94
621	Office Supplies and Expense	267.99	280.00
630	Outside Services		
635	Water Testing	1,250.00	1,550.00
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	518.56	932.91
403	Depreciation Expense	8,737.00	8,737.00
408	Taxes Other Than Income	137.26	41.59
408.11	Property Taxes	2,027.34	608.64
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 26,797.54	\$ 25,305.89
	OPERATING INCOME/(LOSS)	\$ (9,173.80)	\$ (9,278.36)
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$	\$
	NET INCOME/(LOSS)	\$ (9,173.80)	\$ (9,278.36)

COMPANY NAME	Cloud Nine Water Company, Inc.
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SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ 0

Meter Deposits Refunded During the Test Year \$ 0

COMPANY NAME	Cloud Nine Water Company, Inc.
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WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
	30			4"		
	40			4"		

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
05	1		
15	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
300,000	1	20,000 ea	2
20,000	1		

COMPANY NAME	Cloud Nine Water Company, Inc.
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WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS		
Size (in inches)	Material	Length (in feet)
2	4"	400
3		500
4		
5		
6		
8		
10		
12		

CUSTOMER METERS	
Size (in inches)	Quantity
5/8 X 3/4	9
3/4	
1	
1 1/2	2
2	1
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:		
Buster Pumps	Storage Tank Capacity	Pressure Tanks
Horsepower: 5	300,000	2 X 20,000 ea
15	20,000	

STRUCTURES:

OTHER:

COMPANY NAME: Cloud Nine Water Company, Inc.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2004

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY			584,000
FEBRUARY			644,100
MARCH			645,900
APRIL			650,202
MAY			651,420
JUNE			660,601
JULY			665,591
AUGUST			681,525
SEPTEMBER			683,400
OCTOBER			669,861
NOVEMBER			586,200
DECEMBER			588,100
TOTAL			7,710,900

Is the Water Utility located in an ADWR Active Management Area (AMA)?

☒ Yes

☐ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

☐ Yes

☒ No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. _____ mg/l

(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Cloud Nine Water Company, Inc. **YEAR ENDING 12/31/2004**

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 608.64

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

COMPANY NAME Cloud Nine Water Company, Inc. YEAR ENDING 12/31/2004

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>(9,278)</u>
Estimated or Actual Federal Tax Liability	<u>0</u>

State Taxable Income Reported	<u>(9,278)</u>
Estimated or Actual State Tax Liability	<u>0</u>

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>N/A</u>
Amount of Gross-Up Tax Collected	<u>N/A</u>
Total Grossed-Up Contributions/Advances	<u>N/A</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Ursula Guttry
SIGNATURE

March 30, 2005
DATE

Ursula Guttry
PRINTED NAME

Vice-President
TITLE

RECEIVED

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

APR 01 2005

AZ Corporation Commission
Director Of Utilities

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)

Cochise

NAME (OWNER OR OFFICIAL) TITLE

Ursula Guttery, Vice-President

COMPANY NAME

Cloud Nine Water Company, Inc.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH

12

DAY

31

YEAR

2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 17,221.67

(THE AMOUNT IN BOX ABOVE

INCLUDES \$ 1,194.14

IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

SIGNATURE OF OWNER OR OFFICIAL

520-458-1311

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

30th

DAY OF

COUNTY NAME

COCHISE

MONTH

MARCH

2005

(SEAL)

MY COMMISSION EXPIRES

5/14/07



OFFICIAL SEAL
VIRGINIA ERICKSON
Notary Public - State of Arizona
COCHISE COUNTY
My Comm. Expires 5/14/07

SIGNATURE OF NOTARY PUBLIC
Virginia Erickson

RECEIVED

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

APR 01 2005

AZ Corporation Commission
Director Of Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Cochise	
NAME (OWNER OR OFFICIAL) Ursula Guttry	TITLE Vice-President
COMPANY NAME Cloud Nine Water Company, Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 17,221.67

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 1,194.14
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

Ursula Guttry
SIGNATURE OF OWNER OR OFFICIAL
520-458-1311
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

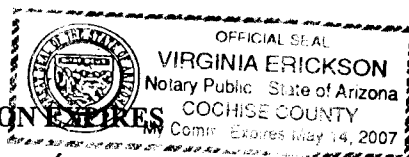
30TH

DAY OF

NOTARY PUBLIC NAME VIRGINIA ERICKSON	
COUNTY NAME COCHISE	
MONTH MARCH	20 05

(SEAL)

MY COMMISSION EXPIRES



X *Virginia Erickson*
SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2004) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

004 TAX NOTICE

JAN. 1, 2004
TO
DEC. 31, 2004

COUNTY OF COCHISE

ARIZONA

ADDRESS: P O BOX 1778
BISBEE AZ 85603AL DESCRIPTION: SECTION TWN RNG ACRES
TOTAL VALUE OF OPERATING PROPERTY .07 USE 5500
17-50-294 5,000

TAX ROLL NUMBER
113015
PARCEL IDENTIFICATION
944-56-870 6
TAX AREA CODE
6870

IMPORTANT - SEE REVERSE SIDE
FOR COMPLETE EXPLANATION OF
YOUR 2004 TAX NOTICE AND
PAYMENT INSTRUCTIONS.

944-56-870 6113015

CLOUD 9 WATER CO INC
NICK NOVASIC/PRESIDENT
111 MOONGLOW
SIERRA VISTA AZ 85635



07-2661

2004 TAX SUMMARY (3)

PRIMARY AD VALOREM TAX	576.38
LESS STATE AID TO EDUCATION	.00
NET PRIMARY AD VALOREM TAX	576.38
SECONDARY AD VALOREM TAX	337.80
SPECIAL DISTRICT TAX	.00

PAY TOTAL OR HALF TAX

TOTAL TAX DUE	914.18
HALF TAX	457.09

DELINQUENT DATES

1st HALF NOV. 1, 2004

2nd HALF MAY 1, 2005

THIS IS THE ONLY NOTICE YOU WILL RECEIVE
NO RECEIPT WILL BE SENT UNLESS REQUESTED

PRIMARY PROPERTY TAX CALCULATION (1)

FM	LIMITED VALUE	ASSMT. %	ASSESSED VALUE	EXEMPTION	TAX RATE	AD VALOREM TAX
LAND, BLDGS, ETC.	5000	25.0	1250	0	922.15	1152.9
PERSONAL PROPERTY	20000	25.0	5000	0	922.15	4610.9
TOTALS	25000		6250	0		5763.8

SECONDARY PROPERTY TAX CALCULATION (2)

FM	FULL CASH VALUE	ASSMT. %	ASSESSED VALUE	EXEMPTION	TAX RATE	AD VALOREM TAX
LAND, BLDGS, ETC.	5000	25.0	1250	0	561.21	701.6
PERSONAL PROPERTY	20000	25.0	5000	0	535.24	2676.4
TOTALS	25000		6250	0		3378.0

2003-2004 TAX COMPARISON (4)

TAX CODE	TAX JURISDICTION	2004 PRIMARY	2004 SECONDARY	2004 TOTAL	2003 TOTAL	DIFFERENCE
000	COCHISE COUNTY	18360	00	18360	00	18360
001	COUNTY SCHOOL TAX EQUALIZATION	2850	00	2850	00	2850
068	SIERRA VISTA SD #68	17104	8026	25130	00	25130
104	SIERRA VISTA UHS	8156	5962	14118	00	14118
150	COCHISE COUNTY JUNIOR COLLEGE	11168	00	11168	00	11168
202	FRY FD	00	17872	17872	00	17872
900	FIRE DISTRICT ASSISTANCE FUND	00	625	625	00	625
900	COCHISE COUNTY LIBRARY DIST	00	970	970	00	970
000	COCHISE COUNTY FCD #80-49	00	325	325	00	325
	TOTALS	57638	33780	91418	00	91418

TEAR OFF ALONG DOTTED LINES

TEAR OFF ALONG DOTTED LINES

004 TAX NOTICE

JAN. 1, 2004
TO
DEC. 31, 2004

COUNTY OF COCHISE

ARIZONA

ADDRESS: P O BOX 1778

BISBEE AZ 85603

AL DESCRIPTION: SECTION TWN RNG ACRES .20 USE 5500
 TOTAL VALUE OF OPERATING PROPERTY 5,000 107-50-309-D 5,000
 107-50-287-B

10/29/04 - 1st Half \$608.64 ac#1699
 04/29/05 2nd Half

TAX ROLL NUMBER 113014
PARCEL IDENTIFICATION 944-56-830B 8
TAX AREA CODE 6830

IMPORTANT - SEE REVERSE SIDE
 FOR COMPLETE EXPLANATION OF
 YOUR 2004 TAX NOTICE AND
 PAYMENT INSTRUCTIONS.

944-56-830B 8 113014

CLOUD 9 WATER CO INC
 NICK NOVASIC/PRESIDENT
 111 MOONGLOW
 SIERRA VISTA AZ 85635

Small tank
 10,000 gal



07-2660

2004 TAX SUMMARY (3)		
PRIMARY AD VALOREM TAX		234.28
LESS STATE AID TO EDUCATION		.00
NET PRIMARY AD VALOREM TAX		234.28
SECONDARY AD VALOREM TAX		688.2
SPECIAL DISTRICT TAX		.00

PAY TOTAL OR HALF TAX

TOTAL TAX DUE		303.10
HALF TAX		151.55

DELINQUENT DATES

1st HALF NOV. 1, 2004

2nd HALF MAY 1, 2005

THIS IS THE ONLY NOTICE YOU WILL RECEIVE
 NO RECEIPT WILL BE SENT UNLESS REQUESTED

PRIMARY PROPERTY TAX CALCULATION (1)						
EM	LIMITED VALUE	ASSMT. %	ASSESSED VALUE	EXEMPTION	TAX RATE	AD VALOREM TAX
LAND, BLDGS, ETC.	10000	250	2500	0	93715	234.28
PERSONAL PROPERTY	0	0	0	0	93715	.00
TOTALS	10000		2500	0		234.28
SECONDARY PROPERTY TAX CALCULATION (2)						
EM	FULL CASH VALUE	ASSMT. %	ASSESSED VALUE	EXEMPTION	TAX RATE	AD VALOREM TAX
LAND, BLDGS, ETC.	10000	250	2500	0	27526	688.2
PERSONAL PROPERTY	0	0	0	0	27526	.00
TOTALS	10000		2500	0	27526	688.2

2003-2004 TAX COMPARISON (4)						
TAX CODE	TAX JURISDICTION	2004 PRIMARY	2004 SECONDARY	2004 TOTAL	2003 TOTAL	DIFFERENCE
2000	COCHISE COUNTY	7343	00	7343	00	7343
2001	COUNTY SCHOOL TAX EQUALIZATION	1140	00	1140	00	1140
1155	CITY OF SIERRA VISTA	375	00	375	00	375
3068	SIERRA VISTA SD #68	6841	3211	10052	00	10052
3104	SIERRA VISTA UHS	3262	2384	5646	00	5646
3150	COCHISE COUNTY JUNIOR COLLEGE	4467	00	4467	00	4467
1900	FIRE DISTRICT ASSISTANCE FUND	00	250	250	00	250
1900	COCHISE COUNTY LIBRARY DIST	00	388	388	00	388
5000	COCHISE COUNTY FCD #80-49	00	649	649	00	649
	TOTALS	23428	6882	30310	00	30310

TEAR OFF ALONG DOTTED LINES

TEAR OFF ALONG DOTTED LINES

Attn: Jenny

CLOUD 9 WATER COMPANY, INC.
 90 RAINBOW WAY 450-5856
 SIERRA VISTA, AZ 85635

1699

Pay to the order of Marsha Bonham-Lewis County Treasurer Oct 29, 2004 \$ 608.64

Bank of America
 Sierra Vista Branch 08524
 3148 E. Fry Blvd.
 Sierra Vista, AZ 85635
 257-0001 In Phoenix, 1-800-284-8491

1st Half - Prop Tax 2004

For ID 944-56-830B-8/944-56-870-6

Marsha Gutley

⑆001699⑆ ⑆122401706⑆ 073⑆784184⑆ ⑆0000060864⑆

21337287 100100024
 PAY TO THE ORDER OF
 019 BANK ONE
 11 09 04
 FOR DEPOSIT
 MARSHA LUTLEY
 TAX COLLECTION - CLOUD 9 WATER

6350 12391
 5540494269
 1119013314
 MAR. 02, 04
 11092004

3150996715
 US DATE 11/10/04
 04/03/04 E 043 A21 P01

Cloud Nine Water Company, Inc.

**Financial Statements with
Accountant's Compilation Report
Year Ended December 31, 2004**

James R. Varga, CPA, P.C.
633 East Wilcox Drive
Sierra Vista, AZ 85635
(520) 459-1000

Board of Directors
Cloud Nine Water Company, Inc.
148 Laidley Street
San Francisco, CA 94141

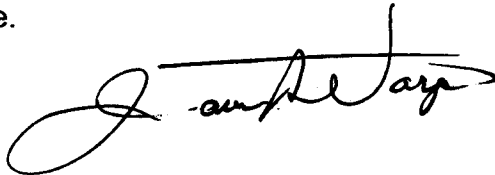
I have compiled the balance sheet - income tax basis of Cloud Nine Water Company, Inc. as of December 31, 2004 and the related income statement - income tax basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the accounting basis used by the Company for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all required disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included with these financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

I am not independent with respect to Cloud Nine Water Company, Inc.

This report is intended solely for the information and use of the stockholders and management of Cloud Nine Water Company, Inc., and should not be used for any other purpose.

A handwritten signature in black ink, appearing to read "James R. Varga", with a stylized flourish at the end.

James R. Varga, CPA, PC
March 26, 2005

11:19 AM
03/26/05
Cash Basis

CLOUD NINE WATER COMPANY, INC
Balance Sheet - Income Tax Basis
December 31, 2004

	Dec 31, 04
ASSETS	
Current Assets	
Checking/Savings	
1020 · B of A - Acct #84	1,505.45
Total Checking/Savings	<u>1,505.45</u>
Total Current Assets	1,505.45
Fixed Assets	
2020 · Pumps & Wells	
2320 · A/D-Pumps & Wells	(43,785.09)
2020 · Pumps & Wells - Other	<u>67,125.00</u>
Total 2020 · Pumps & Wells	23,339.91
2030 · Lines & Tanks	
2330 · A/D-Lines & Tanks	(53,844.00)
2030 · Lines & Tanks - Other	<u>82,560.00</u>
Total 2030 · Lines & Tanks	28,716.00
2040 · Meters	
2340 · A/D-Meters	(293.88)
2040 · Meters - Other	<u>315.00</u>
Total 2040 · Meters	<u>21.12</u>
Total Fixed Assets	52,077.03
Other Assets	
2500 · Goodwill	50,000.00
2510 · Accum Amortization	<u>(16,354.29)</u>
Total Other Assets	<u>33,645.71</u>
TOTAL ASSETS	<u><u>87,228.19</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
3010 · Due <to>from Moonglow MH, LLC	910.21
3290 · Sales Tax Payable	<u>118.00</u>
Total Other Current Liabilities	<u>1,028.21</u>
Total Current Liabilities	<u>1,028.21</u>
Total Liabilities	1,028.21
Equity	
5010 · Common Stock	200,000.00
5020 · Paid-in Capital	3,503.29
5300 · Retained Earnings	(108,024.95)
Net Income	<u>(9,278.36)</u>
Total Equity	<u>86,199.98</u>
TOTAL LIABILITIES & EQUITY	<u><u>87,228.19</u></u>

11:16 AM
03/26/05
Cash Basis

CLOUD NINE WATER COMPANY, INC
Income Statement - Income Tax Basis
Year Ended December 31, 2004

	Jan - Dec 04	% of Income
Ordinary Income/Expense		
Income		
6030 · Utilities Income	15,821.74	103.7%
6900 · Refunds	(568.04)	(3.7)%
Total Income	<u>15,253.70</u>	<u>100.0%</u>
Expense		
6500 · Miscellaneous	(205.79)	(1.3)%
8080 · Amortization	1,250.00	8.2%
8140 · Bank Charges	132.00	0.9%
8250 · Depreciation	7,487.00	49.1%
8280 · Dues	30.00	0.2%
8520 · Licenses and Fees	334.87	2.2%
8730 · Postage and Delivery	148.00	1.0%
8820 · Repairs and Maintenance	104.94	0.7%
9120 · Taxes - Sales	41.59	0.3%
9140 · Taxes-Property	608.64	4.0%
9280 · Utilities		
9284 · Electric	13,050.81	85.6%
Total 9280 · Utilities	<u>13,050.81</u>	<u>85.6%</u>
9290 · Water Analysis	1,550.00	10.2%
Total Expense	<u>24,532.06</u>	<u>160.8%</u>
Net Ordinary Income	<u>(9,278.36)</u>	<u>(60.8)%</u>
Net Income	<u><u>(9,278.36)</u></u>	<u><u>(60.8)%</u></u>